

## Consolidated Balance Sheets

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
As of March 31, 2021 and 2020

	Millions of yen		Thousands of
	2021	2020	U.S. dollars (Note 1)
<b>Assets</b>			<b>2021</b>
<b>Current assets:</b>			
Cash, time and notice deposits (Notes 3, 5 and 6)	¥ 188,340	¥ 195,361	\$ 1,701,201
Notes and accounts receivable—trade (Note 6)	18,714	17,406	169,036
Allowance for doubtful accounts	(38)	(61)	(343)
Inventories (Note 4)	636,803	648,881	5,751,992
Other current assets	68,377	54,447	617,622
Total current assets	912,196	916,034	8,239,508
<b>Investments:</b>			
Investments in unconsolidated subsidiaries and affiliates (Note 6)	68,689	100,156	620,441
Investments in securities and other (Notes 6 and 7)	510,503	372,414	4,611,173
Allowance for doubtful accounts	(2,084)	(2,082)	(18,824)
Total investments	577,108	470,488	5,212,790
<b>Property and equipment:</b>			
Land (Notes 4, 5 and 19)	2,778,475	2,558,356	25,096,875
Buildings and structures (Notes 4, 5 and 19)	1,705,467	1,584,047	15,404,814
Machinery and equipment (Notes 5 and 19)	44,939	40,382	405,916
Leased assets	1,915	2,054	17,297
Construction in progress (Notes 4 and 19)	107,850	133,718	974,168
	4,638,646	4,318,557	41,899,070
Accumulated depreciation and accumulated impairment losses	(626,477)	(578,302)	(5,658,721)
Net property and equipment	4,012,169	3,740,255	36,240,349
<b>Other assets:</b>			
Guarantee and lease deposits paid to lessors (Notes 6 and 7)	68,743	70,172	620,929
Leasehold rights and other intangible assets	62,411	57,562	563,734
Deferred income taxes (Note 12)	11,071	30,067	100,000
Other	29,968	33,045	270,689
Total other assets	172,193	190,846	1,555,352
Total assets	¥5,673,666	¥5,317,623	\$51,247,999

See accompanying notes.

	Millions of yen		Thousands of
	2021	2020	U.S. dollars (Note 1)
<b>Liabilities and Net Assets</b>			<b>2021</b>
<b>Current liabilities:</b>			
Short-term debt (Notes 6 and 8)	¥ 146,620	¥ 146,726	\$ 1,324,361
Long-term debt due within one year (Notes 5, 6 and 8)	211,446	131,471	1,909,909
Long-term non-recourse debt due within one year (Notes 5, 6 and 8)	16,344	70,373	147,629
Notes and accounts payable—trade (Note 6)	24,697	36,393	223,078
Accrued income taxes	40,742	32,344	368,007
Accrued bonuses	4,023	5,440	36,338
Deposits received (Note 13)	65,964	51,196	595,827
Other current liabilities	152,124	148,102	1,374,076
Total current liabilities	661,960	622,045	5,979,225
<b>Long-term liabilities:</b>			
Long-term debt due after one year (Notes 5, 6 and 8)	2,890,210	2,842,156	26,106,133
Long-term non-recourse debt due after one year (Notes 5, 6 and 8)	296,673	250,182	2,679,731
Guarantee and deposits received (Notes 6 and 13)	286,151	293,505	2,584,690
Net defined benefit liability (Note 9)	5,258	6,270	47,493
Other long-term liabilities (Note 12)	30,393	8,465	274,528
Total long-term liabilities	3,508,685	3,400,578	31,692,575
<b>Contingent liabilities (Note 20)</b>			
<b>Net assets (Note 14)</b>			
Shareholders' equity			
Common stock:			
Authorized —1,900,000 thousand shares			
Issued —476,086 thousand shares	122,805	122,805	1,109,249
Capital surplus	104,154	104,154	940,782
Retained earnings	1,126,670	1,002,634	10,176,768
Treasury stock	(4,475)	(4,473)	(40,420)
Total shareholders' equity	1,349,154	1,225,120	12,186,379
Accumulated other comprehensive income (loss)			
Net unrealized holding gains on securities	160,441	76,335	1,449,201
Net deferred losses on hedges	(2,989)	(3,560)	(26,998)
Foreign currency translation adjustments	(4,266)	(2,718)	(38,533)
Remeasurements of defined benefit plans	681	(177)	6,150
Total accumulated other comprehensive income	153,867	69,880	1,389,820
Total net assets	1,503,021	1,295,000	13,576,199
Total liabilities and net assets	¥5,673,666	¥5,317,623	\$51,247,999

## Consolidated Statements of Income

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
For the years ended March 31, 2021, 2020 and 2019

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2021	2020	2019	2021
<b>Revenue from operations</b>	<b>¥917,473</b>	¥1,013,513	¥1,012,198	<b>\$8,287,174</b>
<b>Costs and expenses:</b>				
Cost of revenue from operations	629,565	691,832	711,050	5,686,614
Selling, general and administrative expenses	68,664	87,349	81,759	620,215
	<b>698,229</b>	779,181	792,809	<b>6,306,829</b>
<b>Operating income</b>	<b>219,244</b>	234,332	219,389	<b>1,980,345</b>
<b>Other income (expenses):</b>				
Interest expense, net	(18,043)	(18,530)	(19,589)	(162,975)
Dividend income	11,561	11,024	9,472	104,426
Gain on sale of property and equipment	536	278	75	4,841
Loss on sale of property and equipment	—	(2,131)	(3,724)	—
Loss on impairment of fixed assets (Note 10)	(3,876)	(9,660)	(8,576)	(35,010)
Loss on disposal of property and equipment	(7,890)	(1,567)	(1,280)	(71,267)
Gain on sale of investments in securities (Note 7)	13,116	1,417	12	118,472
Loss on sale of investments in securities (Note 7)	(312)	—	—	(2,818)
Loss on devaluation of investments in securities (Note 7)	(489)	(7,838)	(1,105)	(4,417)
Loss related to COVID-19	(629)	—	—	(5,682)
Reversal of allowance for doubtful accounts	—	4,824	—	—
Other, net	(2,859)	(6,339)	(6,115)	(25,825)
	<b>(8,885)</b>	(28,522)	(30,830)	<b>(80,255)</b>
<b>Income before income taxes</b>	<b>210,359</b>	205,810	188,559	<b>1,900,090</b>
<b>Income taxes (Note 12):</b>				
Current	64,930	68,180	62,823	586,487
Deferred	4,040	(3,367)	(4,367)	36,492
Total	<b>68,970</b>	64,813	58,456	<b>622,979</b>
<b>Profit</b>	<b>141,389</b>	140,997	130,103	<b>1,277,111</b>
<b>Profit attributable to non-controlling interests</b>	<b>—</b>	—	—	<b>—</b>
<b>Profit attributable to owners of parent</b>	<b>¥141,389</b>	¥ 140,997	¥ 130,103	<b>\$1,277,111</b>

	Yen			Thousands of U.S. dollars (Note 1)
	2021	2020	2019	2021
<b>Amounts per share of common stock:</b>				
Profit attributable to owners of parent:				
—Basic	¥298.33	¥297.50	¥274.51	\$2.69
—Diluted	—	—	—	—
Cash dividend applicable to the year	40.00	35.00	30.00	0.36

See accompanying notes.

## Consolidated Statements of Comprehensive Income

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
For the years ended March 31, 2021, 2020 and 2019

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2021	2020	2019	2021
<b>Profit</b>	<b>¥141,389</b>	¥140,997	¥130,103	<b>\$1,277,111</b>
<b>Other comprehensive income (loss) (Note 18)</b>				
Net unrealized holding gains (losses) on securities	84,106	(32,875)	(21,905)	759,697
Net deferred gains (losses) on hedges	571	412	(1,923)	5,158
Foreign currency translation adjustments	(1,548)	(366)	(259)	(13,982)
Remeasurements of defined benefit plans	858	(103)	(234)	7,749
Total other comprehensive income (loss)	<b>83,987</b>	(32,932)	(24,321)	<b>758,622</b>
<b>Comprehensive income</b>	<b>¥225,376</b>	¥108,065	¥105,782	<b>\$2,035,733</b>
<b>Comprehensive income attributable to:</b>				
Owners of the parent	¥225,376	¥108,065	¥105,782	\$2,035,733
Non-controlling interests	—	—	—	—

See accompanying notes.

## Consolidated Statements of Changes in Net Assets

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
For the years ended March 31, 2021, 2020 and 2019

	Thousands		Millions of yen					Thousands of U.S. dollars (Note 1)				
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Total net assets
<b>Balance at April 1, 2018</b>	476,086	¥122,805	¥104,154	¥ 765,326	¥(4,443)	¥ 987,842	¥131,115	¥(2,049)	¥(2,093)	¥ 160	¥127,133	¥1,114,975
Cumulative effects of changes in accounting policies	—	—	—	(5,299)	—	¥ (5,299)	—	—	—	—	—	(5,299)
Restated balance	476,086	122,805	104,154	760,027	(4,443)	982,543	131,115	(2,049)	(2,093)	160	127,133	1,109,676
Profit attributable to owners of parent	—	—	—	130,103	—	130,103	—	—	—	—	—	130,103
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(259)	—	(259)	(259)
Net unrealized holding gains (losses) on securities	—	—	—	—	—	—	(21,905)	—	—	—	(21,905)	(21,905)
Acquisition of treasury stock	—	—	—	—	(27)	(27)	—	—	—	—	—	(27)
Disposal of treasury stock	—	—	0	—	0	0	—	—	—	—	—	0
Change in scope of consolidation	—	—	—	(57)	—	(57)	—	—	—	—	—	(57)
Cash dividends paid:												
Final for prior year (¥14 per share)	—	—	—	(6,635)	—	(6,635)	—	—	—	—	—	(6,635)
Interim for current year (¥14 per share)	—	—	—	(6,635)	—	(6,635)	—	—	—	—	—	(6,635)
Net deferred gains (losses) on hedges	—	—	—	—	—	—	—	(1,923)	—	—	(1,923)	(1,923)
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	—	(234)	(234)	(234)
<b>Balance at April 1, 2019</b>	476,086	¥122,805	¥104,154	¥ 876,803	¥(4,470)	¥1,099,292	¥109,210	¥(3,972)	¥(2,352)	¥ (74)	¥102,812	¥1,202,104
Profit attributable to owners of parent	—	—	—	140,997	—	140,997	—	—	—	—	—	140,997
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(366)	—	(366)	(366)
Net unrealized holding gains (losses) on securities	—	—	—	—	—	—	(32,875)	—	—	—	(32,875)	(32,875)
Acquisition of treasury stock	—	—	—	—	(3)	(3)	—	—	—	—	—	(3)
Disposal of treasury stock	—	—	0	—	0	0	—	—	—	—	—	0
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	—	—	—
Cash dividends paid:												
Final for prior year (¥16 per share)	—	—	—	(7,583)	—	(7,583)	—	—	—	—	—	(7,583)
Interim for current year (¥16 per share)	—	—	—	(7,583)	—	(7,583)	—	—	—	—	—	(7,583)
Net deferred gains (losses) on hedges	—	—	—	—	—	—	—	412	—	—	412	412
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	—	(103)	(103)	(103)
<b>Balance at April 1, 2020</b>	476,086	¥122,805	¥104,154	¥1,002,634	¥(4,473)	¥1,225,120	¥ 76,335	¥(3,560)	¥(2,718)	¥(177)	¥ 69,880	¥1,295,000
Profit attributable to owners of parent	—	—	—	141,389	—	141,389	—	—	—	—	—	141,389
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(1,548)	—	(1,548)	(1,548)
Net unrealized holding gains (losses) on securities	—	—	—	—	—	—	84,106	—	—	—	84,106	84,106
Acquisition of treasury stock	—	—	—	—	(2)	(2)	—	—	—	—	—	(2)
Disposal of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	—	657	—	657	—	—	—	—	—	657
Cash dividends paid:												
Final for prior year (¥19 per share)	—	—	—	(9,005)	—	(9,005)	—	—	—	—	—	(9,005)
Interim for current year (¥19 per share)	—	—	—	(9,005)	—	(9,005)	—	—	—	—	—	(9,005)
Net deferred gains (losses) on hedges	—	—	—	—	—	—	—	571	—	—	571	571
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	—	858	858	858
<b>Balance at March 31, 2021</b>	476,086	¥122,805	¥104,154	¥1,126,670	¥(4,475)	¥1,349,154	¥160,441	¥(2,989)	¥(4,266)	¥ 681	¥153,867	¥1,503,021

	Thousands of U.S. dollars (Note 1)		Millions of yen					Thousands of U.S. dollars (Note 1)				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Total net assets	
<b>Balance at April 1, 2020</b>	\$1,109,249	\$940,782	\$ 9,056,400	\$(40,403)	\$11,066,028	\$ 689,504	\$(32,156)	\$(24,551)	\$(1,599)	\$ 631,198	\$11,697,226	
Profit attributable to owners of parent	—	—	1,277,111	—	1,277,111	—	—	—	—	—	1,277,111	
Foreign currency translation adjustments	—	—	—	—	—	—	—	(13,982)	—	(13,982)	(13,982)	
Net unrealized holding gains (losses) on securities	—	—	—	—	—	759,697	—	—	—	759,697	759,697	
Acquisition of treasury stock	—	—	—	(17)	(17)	—	—	—	—	—	(17)	
Disposal of treasury stock	—	—	—	—	—	—	—	—	—	—	—	
Change in scope of consolidation	—	—	5,935	—	5,935	—	—	—	—	—	5,935	
Cash dividends paid:												
Final for prior year (\$0.17 per share)	—	—	(81,339)	—	(81,339)	—	—	—	—	—	(81,339)	
Interim for current year (\$0.17 per share)	—	—	(81,339)	—	(81,339)	—	—	—	—	—	(81,339)	
Net deferred gains (losses) on hedges	—	—	—	—	—	—	5,158	—	—	5,158	5,158	
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	7,749	7,749	7,749	
<b>Balance at March 31, 2021</b>	\$1,109,249	\$940,782	\$10,176,768	\$(40,420)	\$12,186,379	\$1,449,201	\$(26,998)	\$(38,533)	\$ 6,150	\$1,389,820	\$13,576,199	

See accompanying notes.

## Consolidated Statements of Cash Flows

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
For the years ended March 31, 2021, 2020 and 2019

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2021	2020	2019	2021
<b>Cash flows from operating activities:</b>				
Income before income taxes	¥ 210,359	¥ 205,810	¥ 188,559	\$ 1,900,090
Depreciation and amortization	57,813	48,974	46,313	522,202
Loss on impairment of fixed assets (Note 10)	3,876	9,660	8,576	35,010
Provision for (Reversal of) allowance for doubtful accounts	(21)	(4,848)	(309)	(190)
Increase (Decrease) in net defined benefit liability	226	60	(242)	2,041
Loss (Gain) on sale of property and equipment, net	(536)	1,853	3,649	(4,841)
Loss on disposal of property and equipment	7,890	1,567	1,280	71,267
Loss (Gain) on sale of investments in securities, net	(12,803)	(1,417)	(12)	(115,644)
Loss (Gain) on devaluation of investments in securities	489	7,838	1,105	4,417
Interest and dividend income	(11,836)	(11,680)	(10,067)	(106,910)
Interest expense	18,318	19,186	20,184	165,459
Decrease (Increase) in notes and accounts receivable—trade	(1,185)	4,637	2,233	(10,704)
Decrease (Increase) in inventories	7,304	46,767	65,981	65,974
Increase (Decrease) in notes and accounts payable—trade	(12,041)	(18,543)	26,189	(108,762)
Increase (Decrease) in advances received	(4,922)	(416)	(12,073)	(44,458)
Other, net	26,434	(6,117)	(1,800)	238,770
Total	289,365	303,331	339,566	2,613,721
Proceeds from interest and dividend income	11,836	11,680	10,066	106,910
Payments for interest	(18,224)	(19,334)	(20,147)	(164,610)
Payments for income tax and other taxes	(57,030)	(65,218)	(69,427)	(515,130)
Net cash provided by operating activities	225,947	230,459	260,058	2,040,891
<b>Cash flows from investing activities:</b>				
Payments for purchases of property and equipment	(355,432)	(270,347)	(188,573)	(3,210,478)
Proceeds from sale of property and equipment	1,659	11,307	6,617	14,985
Payments for purchases of investments in securities	(20,500)	(46,695)	(31,281)	(185,168)
Proceeds from sale and redemption of investments in securities	49,141	2,676	334	443,871
Payments for guarantee and lease deposits paid to lessors	(748)	(1,121)	(738)	(6,756)
Proceeds from guarantee and lease deposits paid to lessors	1,954	804	4,475	17,650
Payments for guarantee and lease deposits received	(16,549)	(10,950)	(14,324)	(149,481)
Proceeds from guarantee and lease deposits received	24,264	29,525	35,664	219,167
Other, net	(20,471)	(5,318)	(21,387)	(184,907)
Net cash used in investing activities	(336,682)	(290,119)	(209,213)	(3,041,117)
<b>Cash flows from financing activities:</b>				
Increase (Decrease) in short-term debt, net	(106)	121,083	(35,773)	(957)
Redemption of bonds	—	(40,000)	(60,000)	—
Proceeds from non-recourse bonds	6,000	2,000	4,900	54,196
Redemption of non-recourse bonds	(8,000)	(2,000)	(4,900)	(72,261)
Proceeds from long-term loans payable	259,500	153,300	198,300	2,343,962
Repayment of long-term loans payable	(131,471)	(129,619)	(225,752)	(1,187,526)
Proceeds from long-term non-recourse loans	57,140	93,720	37,110	516,123
Repayment of long-term non-recourse loans	(62,678)	(100,363)	(44,611)	(566,146)
Decrease (Increase) in treasury stocks, net	(2)	(3)	(27)	(18)
Cash dividends paid	(18,005)	(15,163)	(13,269)	(162,632)
Other, net	(292)	(310)	(2,036)	(2,638)
Net cash provided by (used in) financing activities	102,086	82,645	(146,058)	922,103
Effect of exchange rate changes on cash and cash equivalents	(1,088)	(244)	243	(9,827)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(9,737)</b>	<b>22,741</b>	<b>(94,970)</b>	<b>(87,950)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>193,448</b>	<b>170,707</b>	<b>262,046</b>	<b>1,747,340</b>
<b>Increase in cash and cash equivalents of newly consolidated subsidiaries</b>	<b>3,570</b>	<b>—</b>	<b>3,631</b>	<b>32,246</b>
<b>Cash and cash equivalents at end of year (Note 3)</b>	<b>¥ 187,281</b>	<b>¥ 193,448</b>	<b>¥ 170,707</b>	<b>\$ 1,691,636</b>

See accompanying notes.

## Notes to Consolidated Financial Statements

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries  
As of March 31, 2021 and 2020, and for the years ended March 31, 2021, 2020 and 2019

### 1 Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Sumitomo Realty & Development Co., Ltd. (“the Company”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards (“IFRS”).

The accounts of the Company’s overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with certain expanded disclosure) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese-language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2021, which was ¥110.71 to U.S. \$1. The translation should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

### 2 Accounting policies

#### (1) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or existence of certain conditions evidencing control by the Company. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

All significant intercompany balances, transactions and profits have been eliminated in consolidation.

#### (2) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rate.

Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate, except for shareholders’ equity accounts, which are translated at historical rates, and income statement items resulting from transactions with the Company, which are translated at the rates used by the Company.

Differences arising from translation are presented as “Foreign currency translation adjustments” in net assets.

#### (3) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term, highly liquid investments with

maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

#### (4) Recognition of revenue

Revenues from sales operations of condominiums, detached houses and land lots are recognized when the units are delivered and customers accepted the delivery. Revenues from leasing operations of office buildings, residences and other properties are recognized as rent accrues over the lease term.

The Company’s consolidated subsidiary, Sumitomo Real Estate Sales Co., Ltd. recognizes brokerage fees as revenue at the delivery of the property. However, the amount received of the brokerage fees was previously recognized as revenue on the date it was received in case of which the brokerage fees are received after the conclusion of the sales contracts and before the delivery of property. From the year ended March 31, 2020, its revenue recognition has been changed and the total amount received of the brokerage fees are recognized as revenue at the timing of the delivery of the property.

This change was made as a result of reviewing the revenue recognition policy of Sumitomo Real Estate Sales Co., Ltd. to be aligned with the policy of the Company, after it was delisted and became a wholly owned subsidiary to the Company, and implemented as the Company completed the preparation of the operation system to accommodate the change at the timing of formulating the Eighth Management Plan starting from the year ended March 31, 2020.

The consolidated financial statements for the year ended March 31, 2019 have been adjusted reflecting the retroactive application of the new accounting policy.

As a result, revenue from operations decreased by ¥1,032 million, operating income and income before income taxes decreased by ¥1,030 million respectively. In addition, the balance of retained earnings at April 1, 2018 decreased by ¥5,299 million reflecting cumulative effects to net assets at the beginning of the year ended March 31, 2019.

As the effect of the change on amounts per share of common stock, earnings per share decreased by ¥1.51 for the year ended March 31, 2019.

#### (5) Inventories

Inventories are stated at cost, determined by the specific identification method principally. The carrying amount of inventories is written down when the profitability declines.

#### (6) Securities

Held-to-maturity securities are stated at amortized cost. Investments in subsidiaries and affiliates that are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair values are stated at fair value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving-average cost.

Preferred equity securities are stated at cost determined by the specific identification method, and securities with no available fair value are stated at moving-average cost.

Investments in limited partnerships, which are regarded as securities under the Financial Instruments and Exchange Act, are accounted for in a

manner similar to the equity method based on the recent financial statements.

If the market value of held-to-maturity securities, investments in subsidiaries and affiliates and available-for-sale securities declines significantly, such securities are stated at fair value and the difference between fair value and the carrying amount is recognized as a loss in the period of the decline. If the fair value of investments in unconsolidated subsidiaries and affiliated companies not accounted for using the equity method is not readily available, such securities should be written down to the net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair value or the net asset value will be the carrying amount of the securities at the beginning of the next fiscal year.

**(7) Property and equipment**

The Company and its consolidated domestic subsidiaries depreciate buildings using the straight-line method, and other property and equipment (excluding facilities attached to buildings and structures acquired on or after April 1, 2016) using the declining-balance method over their estimated useful lives. The consolidated overseas subsidiaries depreciate property and equipment using primarily the straight-line method in accordance with the accounting principles in the respective countries.

In addition, the Company and its consolidated domestic subsidiaries depreciate facilities attached to buildings and structures acquired on or after April 1, 2016 using the straight-line method.

Leased assets related to finance lease transactions without title transfer are depreciated using the straight-line method over the lease periods as their useful lives with no residual value.

Estimated useful lives used in the computation of depreciation are generally as follows:

Buildings and structures.....	6 to 60 years
Machinery and equipment.....	2 to 20 years
Leased assets.....	Lease periods

**(8) Software costs**

Software costs are amortized using the straight-line method over the estimated useful lives (five years).

**(9) Allowance for doubtful accounts**

The Company and its consolidated subsidiaries (“The Group”) provide for doubtful accounts at an estimated uncollectable amount based on the evaluation of certain identified doubtful and bankrupt receivables plus an amount calculated using the percentage of actual collection losses in certain reference periods with respect to remaining receivables.

**(10) Lease transactions**

Leased assets related to finance lease transactions without title transfer are depreciated using the straight-line method over the lease periods as their useful lives with no residual value.

**(11) Income taxes**

Income taxes are provided for on the basis of income for financial statement purposes. The tax effects of temporary differences between the carrying amounts of assets and liabilities for financial statements and income tax purposes are recognized as deferred income taxes.

**(12) Employees’ severance and retirement benefits**

The Company and its certain consolidated subsidiaries provide two types of post-employment benefit plans, lump-sum payment plans and defined benefit corporate pension plans, under which all eligible employees are entitled to benefits based on their current rate of pay, length of service and the conditions under which termination occurs.

For the calculation of retirement benefit obligations, the estimated amount of retirement benefits is allocated to the respective fiscal years by the straight-line method.

Some of the Company’s consolidated subsidiaries calculate net defined benefit liability and retirement benefit expenses by using a simplified method in which retirement benefit obligations are equal to the amount that would be paid if all employees resigned voluntarily at the end of the fiscal year.

Prior service costs are recognized as expenses in the period in which they are incurred, and actuarial gains and losses are recognized as expenses in the following period.

**(13) Construction contracts**

The construction projects for which the outcome of the portion completed by the end of the fiscal year under review can be reliably estimated are accounted for by the percentage-of-completion method (the degree of completion of each construction project is estimated using the cost-comparison method), while other construction projects are accounted for by the completed-contract method.

**(14) Derivative transactions and hedge accounting**

The Group states derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes and qualify for hedge accounting.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Group defers recognition of gains or losses resulting from changes in fair value of the derivative financial instruments until the related gains or losses on the hedged items are recognized.

Also, if interest rate swap contracts are used as a hedge and meet certain hedging criteria (regarding interest rate swap contracts), the net amount to be paid or received under the interest rate swap contracts is added to or deducted from the interest on the assets or liabilities relative to which the swap contract was executed as a hedge.

**(15) Amounts per share of common stock**

The computation of earnings per share is based on the weighted-average number of shares of common stock outstanding during each year.

Diluted earnings per share is computed based on the amount of profit attributable to owners of parent on common stock and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock options.

Diluted earnings per share is not presented as there are no potential shares.

Cash dividends per share represent actual amounts applicable to the respective year.

**(16) Significant accounting estimates**

Evaluation of real estate for sale, etc.

(1) Carrying amounts in the consolidated financial statements for the year ended March 31, 2021

	Millions of yen	Thousands of U.S. dollars
Real estate for sale	¥260,825	\$2,355,930
Real estate for sale in process	366,597	3,311,327

(2) Information on the nature of significant accounting estimates for identified items

Real estate for sale is stated at cost on the consolidated financial statements. In case the net realizable value is lower than its cost, the profitability is regarded to have declined, and the net realizable value is used as the carrying amount. The difference between the cost and the net realizable value is recognized as a loss for the current fiscal year.

The net realizable value is estimated based on business plans with the consideration of expected selling price, construction cost trend, etc. The estimation is based on the assumption of unit sales price in its sales area and construction cost per unit on the basis of the Company’s past results.

In case a loss on devaluation of the real estate for sale is to be recognized due to the change of the above-mentioned assumption, the impact on the consolidated financial statements may be significant.

Loss on impairment of fixed assets

(1) Carrying amounts in the consolidated financial statements for the year ended March 31, 2021

	Millions of yen	Thousands of U.S. dollars
Property and equipment	¥4,012,169	\$36,240,349
Leasehold rights	60,162	543,420

(2) Information on the nature of significant accounting estimates for identified items

The amounts determined by deducting accumulated depreciation and accumulated impairment losses from the acquisition costs is used as the carrying amount. When a property’s profitability has declined and an impairment indicator exists, the Group is required to determine whether an impairment loss should be recognized. Impairment indicators include recurring operating losses, a significant adverse change that could affect the recoverable amount, a significant deterioration of business environment and a significant decrease in the market prices. Such market prices are calculated by the Company using income approach, and future cash flow and discount rate is estimated based on the assumption of current rent per unit, rent level in the market, occupancy rate, discount rate, etc.

For fixed assets of which the impairment indicator exists, the impairment loss is recognized if the total amount of their future cash flow before discount is lower than the book value.

The carrying amounts of fixed assets of which the impairment loss is to be recognized, have been reduced to the recoverable amounts, and the amount of the reduction is recognized as impairment loss for the current fiscal year. The recoverable amounts are determined based

on the appraisal value by a real estate appraiser, the amounts equivalent to the publicly notified land price and the amounts calculated by discounting the future cash flow.

In case the impairment indicator exists, and an impairment loss is to be recognized due to the change of the above-mentioned assumption, the impact on the consolidated financial statements may be significant.

**(17) New accounting pronouncements (Accounting standards and guidance issued but not yet effective)**

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021)

(1) Overview

The standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying the following 5 steps:

- Step 1: Identify contract(s) with customers
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligation in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Effective date

Effective from the beginning of the year ending March 31, 2022

(3) Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)

“Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)

“Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

In order to enhance comparability with internationally recognized accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (together, hereinafter referred to as “Fair Value Accounting Standards”) were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are applicable to the fair value measurement of the following items:

- \* Financial instruments in “Accounting Standard for Financial Instruments”; and
- \* Inventories held for trading purposes in “Accounting Standard for Measurement of Inventories.”

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been revised, and items of notes such as the breakdown by the fair value level of financial instruments are required.

- (2) Effective date  
Effective from the beginning of the year ending March 31, 2022
- (3) Effects of the application of the standards  
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

### (18) Changes in presentation methods

(Consolidated statements of cash flows)

"Receipts of deposits from partnership investors" and "Restitution of deposits from partnership investors" which were previously separately presented in "Cash flows from investing activities" were included in "Other, net" from the year ended March 31, 2021, because the significance of these amounts decreased. Reflecting this change in presentation, the consolidated statements of cash flows for the years ended March 31, 2020 and 2019 were reclassified, respectively.

As a result, the following amounts were reclassified to "Other, net" for respective years: "Receipts of deposits from partnership investors" of ¥23 million and "Restitution of deposits from partnership investors" of ¥22,208 million for the year ended March 31, 2020, and "Receipts of deposits from partnership investors" of ¥1,004 million and "Restitution

### 3 Cash and cash equivalents

Cash and cash equivalents at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash, time and notice deposits	¥188,340	¥195,361	\$1,701,201
Time deposits	(1,059)	(1,913)	(9,565)
Cash and cash equivalents	¥187,281	¥193,448	\$1,691,636

### 4 Inventories

Inventories at March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Real estate for sale	¥260,825	¥351,369	\$2,355,930
Real estate for sale in process	366,597	286,254	3,311,327
Costs on uncompleted construction contracts	8,638	10,370	78,024
Other	743	888	6,711
Total	¥636,803	¥648,881	\$5,751,992

The Company transferred amounts between inventories and property and equipment. Such transfers at March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Inventories:			
Transferred to property and equipment	¥(5,759)	¥(6,785)	\$(52,019)
Transferred from property and equipment	6,164	3,523	55,677
Net increase (decrease)	¥ 405	¥(3,262)	\$ 3,658

of deposits from partnership investors" of ¥10,442 million for the year ended March 31, 2019.

(Adoption of "Accounting Standard for Disclosure of Accounting Estimates")

The Group adopted "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) to the consolidated financial statements for the year ended March 31, 2021, and therefore significant accounting estimates are disclosed in the note to the consolidated financial statements.

The information for the previous fiscal year is not included in the note, in accordance with the transitional provision set out in paragraph 11 of the Accounting Standard.

### (19) Additional information

(Accounting estimates regarding the impact of COVID-19 pandemic)

The accounting estimates such as the valuation of real estate for sale and the loss on impairment of fixed assets are calculated reasonably based on data available at the time of preparing the consolidated financial statements.

The Group calculated the accounting estimates based on the assumption that the impact of COVID-19 shall be temporary.

### 5 Pledged assets

Assets pledged as collateral at March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash, time and notice deposits	¥ 2,087	¥ 2,091	\$ 18,851
Buildings and structures	98,200	108,863	887,002
Land	404,372	418,971	3,652,534
Machinery and equipment	107	127	966
Total	¥504,766	¥530,052	\$4,559,353

Secured liabilities at March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Long-term debt due within one year	¥ 190	¥ 190	\$ 1,716
Long-term non-recourse debt due within one year	16,344	70,373	147,629
Long-term debt due after one year	104,620	94,810	944,991
Long-term non-recourse debt due after one year	296,673	250,182	2,679,731
Total	¥417,827	¥415,555	\$3,774,067

Specified assets for non-recourse debts at March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash, time and notice deposits	¥ 2,995	¥ 3,261	\$ 27,053
Buildings and structures	77,088	86,741	696,306
Land	258,725	273,324	2,336,961
Machinery and equipment	85	96	768
Total	¥338,893	¥363,422	\$3,061,088

(Note) "Specified assets for non-recourse debts" includes a portion of the amount of "Assets pledged as collateral" for the years ended March 31, 2021 and 2020.

### 6 Financial instruments

#### 1. Policy for financial instruments

The Group has the policy to limit its fund management to short-term deposits with funds through loans from banks and the issuance of corporate bonds and commercial paper.

The Group utilizes derivative financial instruments only for the purpose of hedging the interest rate risk associated with the Group's loans payable, and does not utilize derivative financial instruments for any speculative purposes.

#### 2. Details of financial instruments, risks, and policies and systems of risk management

Operating receivables such as notes and accounts receivable—trade are exposed to customers' credit risk, but this risk is generally avoided through the receipt of deposits.

Investments in securities are business-related equities and are exposed to market price fluctuation risk. The Group regularly checks the market value of the securities and the financial condition of the issuers, and continuously reviews whether it continues to hold securities with consideration for its relationships with the issuers.

Guarantee and lease deposits are mostly deposits related to leasing properties, and are exposed to the counterparty credit risk.

In addition, the Group accommodates counterparties with loans and

consequently is exposed to the borrowers' credit risk. However, the Group constantly checks the financial condition of principal borrowers and their performance using the funds lent to those borrowers even after accommodation.

The majority of due dates of operating debt, such as notes and accounts payable, are within one year.

Interest rate swap contracts are used to hedge risks arising from fluctuations in interest rates on certain loans and corporate bonds.

In regard to derivative transactions, the Group utilizes interest rate swaps for bank loans and deposits, and utilizes foreign exchange forward contracts and cross currency swap contracts for foreign currency-denominated transactions. Interest rate swap contracts are exposed to the risks of interest rate changes, and foreign exchange forward contracts and cross currency swap contracts are exposed to the risks of foreign exchange rate changes. The derivative financial instruments are executed with creditworthy financial institutions, and the Group's management believes there is insignificant risk of default by counterparties. Derivative transactions are executed by the Group's Finance Department in accordance with the decisions of a committee whose chairman is the director of the Finance Department. The Finance Department prepares reports on derivative transactions that are provided to the director of the Finance Department periodically.

**3. Supplemental information on fair values of financial instruments**

The fair values of financial instruments are based on their market prices, and if the market price is not available, other rational valuation techniques are used instead. The rational valuation techniques incorporate variable factors, and as a result the values may change due to using different assumptions.

The amounts of derivative transactions shown in Note 16 “Derivative

transactions” are not representing the market risks related to derivative transactions.

The carrying amounts of financial instruments on the consolidated balance sheets, their fair values and the differences between them as of March 31, 2021 and 2020 are as follows. (Financial instruments whose fair value is extremely difficult to estimate are not included; please see (Note 2).)

**For 2021**

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
<b>Assets:</b>						
(1) Cash, time and notice deposits	¥ 188,340	¥ 188,340	¥ —	\$ 1,701,201	\$ 1,701,201	\$ —
(2) Notes and accounts receivable—trade	18,714	18,714	—	169,036	169,036	—
(3) Investments in securities						
Available-for-sale securities	503,108	503,108	—	4,544,377	4,544,377	—
(4) Guarantee and lease deposits						
Held-to-maturity securities	—	—	—	—	—	—
Available-for-sale securities	535	535	—	4,833	4,833	—
<b>Total assets</b>	<b>¥ 710,697</b>	<b>¥ 710,697</b>	<b>¥ —</b>	<b>\$ 6,419,447</b>	<b>\$ 6,419,447</b>	<b>\$ —</b>
<b>Liabilities:</b>						
(1) Notes and accounts payable—trade	¥ 24,697	¥ 24,697	¥ —	\$ 223,078	\$ 223,078	\$ —
(2) Short-term debt	146,620	146,620	—	1,324,361	1,324,361	—
(3) Long-term debt (including due within one year)	3,101,656	3,137,030	35,374	28,016,042	28,335,561	319,519
(4) Long-term non-recourse debt (including due within one year)	313,017	317,321	4,304	2,827,360	2,866,237	38,877
<b>Total liabilities</b>	<b>¥3,585,990</b>	<b>¥3,625,668</b>	<b>¥39,678</b>	<b>\$32,390,841</b>	<b>\$32,749,237</b>	<b>\$358,396</b>
<b>Derivative transactions*:</b>						
Hedge accounting	¥ (4,310)	¥ (4,310)	¥ —	\$ (38,931)	\$ (38,931)	\$ —
<b>Total derivative transactions</b>	<b>¥ (4,310)</b>	<b>¥ (4,310)</b>	<b>¥ —</b>	<b>\$ (38,931)</b>	<b>\$ (38,931)</b>	<b>\$ —</b>

**For 2020**

	Millions of yen		
	Carrying amount	Fair value	Difference
<b>Assets:</b>			
(1) Cash, time and notice deposits	¥ 195,361	¥ 195,361	¥ —
(2) Notes and accounts receivable—trade	17,406	17,406	—
(3) Investments in securities			
Available-for-sale securities	366,734	366,734	—
(4) Guarantee and lease deposits			
Held-to-maturity securities	200	200	0
Available-for-sale securities	747	747	—
<b>Total assets</b>	<b>¥ 580,448</b>	<b>¥ 580,448</b>	<b>¥ 0</b>
<b>Liabilities:</b>			
(1) Notes and accounts payable—trade	¥ 36,393	¥ 36,393	¥ —
(2) Short-term debt	146,726	146,726	—
(3) Long-term debt (including due within one year)	2,973,627	3,026,438	52,811
(4) Long-term non-recourse debt (including due within one year)	320,555	325,637	5,082
<b>Total liabilities</b>	<b>¥3,477,301</b>	<b>¥3,535,194</b>	<b>¥57,893</b>
<b>Derivative transactions*:</b>			
Hedge accounting	¥ (5,134)	¥ (5,134)	¥ —
<b>Total derivative transactions</b>	<b>¥ (5,134)</b>	<b>¥ (5,134)</b>	<b>¥ —</b>

\* Derivative transactions are stated at net of assets and liabilities. Figures in parentheses indicate net liabilities.

(Note 1) The calculation methods of fair value for financial instruments

**Assets:**

**(1) Cash, time and notice deposits**

The fair value of cash, time and notice deposits approximates their carrying amounts because of their short-term maturities.

**(2) Notes and accounts receivable—trade**

The fair value of notes and accounts receivable—trade approximates their carrying amounts unless the credit standing of debtors has changed significantly since the loan origination.

The allowance for doubtful receivables is estimated based on expected recoverable amounts, considering the possibility of individual collections. Therefore, the fair value of doubtful receivables approximates the carrying amount deducted by the estimated allowance for doubtful accounts on the consolidated balance sheets as of the end of the fiscal year.

**(3) Investments in securities**

The fair value of listed shares is based on the exchange prices at market. For floating rate notes, the carrying amount is presented as the fair value, as the fair value approximates the carrying amount because the market interest rate is reflected in such notes within a short time period. The fair value of the fixed-coupon debt is determined based on the present value discounted at the interest rate which reflects the period remaining to maturity and the credit risk.

For notes on securities classified by purpose of holding, please see Note 7 “Securities.”

**(4) Guarantee and lease deposits**

The fair value of guarantee and lease deposits are based on the value offered by correspondent financial institutions.

For notes on securities classified by purpose of holding, please see Note 7 “Securities.”

**Liabilities:**

**(1) Notes and accounts payable—trade and (2) Short-term debt**

The fair value of these items approximates their carrying amounts because of their short-term maturities.

**(3) Long-term debt (including due within one year)**

For floating rate notes, the carrying amount is used as the fair value because the market interest rate is reflected in such notes within a short time period and because the credit standing of the Company is the same after borrowing. The fixed-coupon debt is calculated by discounting the combined total of principal and interest at an interest rate assumed for similar new borrowings.

The specific matching criteria of interest rate swaps are applicable to some long-term debts with floating interest rates (please see Note 16 “Derivative transactions”). The fair value of these items is calculated by discounting the combined total of interest and principal, with which the interest rate swap has been accounted for, at an interest rate rationally estimated for similar borrowings.

The fair value of corporate bonds issued by the Company (included in (3) Long-term debt (including due within one year)) is based on the market price.

**(4) Long-term non-recourse debt (including due within one year)**

For floating rate notes, the carrying amount is used as the fair value because the market interest rate is reflected in such notes within a short time period and the value of its non-exempt properties has not been changed.

The fixed-coupon debt is calculated by discounting the combined total of principal and interest at an interest rate assumed for similar new borrowings or bonds.

The specific matching criteria of interest rate swaps are applicable to some long-term non-recourse debts with floating interest rates (please see Note 16 “Derivative transactions”). The fair value of these items is calculated by discounting the combined total of interest and principal, with which the interest rate swap has been accounted for, at an interest rate rationally estimated for similar borrowings or bonds.

**Derivative transactions:**

Please see Note 16 “Derivative transactions.”

(Note 2) Financial instruments whose fair value is extremely difficult to estimate

	Carrying amount		Thousands of U.S. dollars
	Millions of yen	2020	
	2021	2020	2021
Investments in subsidiaries and affiliates* <sup>1</sup>	¥ 41,879	¥ 74,468	\$ 378,277
Unlisted equity securities* <sup>1</sup>	2,338	2,338	21,118
Preferred equity securities, etc.* <sup>1</sup>	26,810	25,688	242,164
Investments in limited partnerships, etc.* <sup>1</sup>	2	2	18
Guarantee and lease deposits (excluding held-to-maturity securities and available-for-sale securities)* <sup>2</sup>	68,208	69,224	616,096
Guarantee and deposits received* <sup>3</sup>	258,219	247,610	2,332,391

\*<sup>1</sup> The fair value of these items are not disclosed since their market price is unavailable and the assessment of their fair value is deemed extremely difficult.

\*<sup>2</sup> Guarantee and lease deposits (excluding held-to-maturity securities and available-for-sale securities) are not included in “Assets (4) Guarantee and lease deposits” because their remaining terms cannot be determined and the assessment of their fair value is deemed extremely difficult.

\*<sup>3</sup> The fair value of guarantee and deposits received (mainly consisting of lease deposits) are not disclosed because their remaining terms cannot be determined and the assessment of their fair value is deemed extremely difficult.

(Note 3) Redemption schedule of pecuniary claims and securities with maturities

For 2021

	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash, time and notice deposits	¥188,340	¥—	¥—	¥—
Notes and accounts receivable—trade	18,714	—	—	—
Guarantee and lease deposits:				
Held-to-maturity securities (National government bonds)	—	—	—	—
Available-for-sale securities with maturities (National government bonds)	117	409	—	—
<b>Total</b>	<b>¥207,171</b>	<b>¥409</b>	<b>¥—</b>	<b>¥—</b>

For 2020

	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash, time and notice deposits	¥195,361	¥—	¥—	¥—
Notes and accounts receivable—trade	17,406	—	—	—
Guarantee and lease deposits:				
Held-to-maturity securities (National government bonds)	200	—	—	—
Available-for-sale securities with maturities (National government bonds)	206	483	43	—
<b>Total</b>	<b>¥213,173</b>	<b>¥483</b>	<b>¥43</b>	<b>¥—</b>

For 2021

	Thousands of U.S. dollars			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash, time and notice deposits	\$1,701,201	\$—	\$—	\$—
Notes and accounts receivable—trade	169,036	—	—	—
Guarantee and lease deposits:				
Held-to-maturity securities (National government bonds)	—	—	—	—
Available-for-sale securities with maturities (National government bonds)	1,057	3,694	—	—
<b>Total</b>	<b>\$1,871,294</b>	<b>\$3,694</b>	<b>\$—</b>	<b>\$—</b>

(Note 4) Repayment schedule of corporate bonds, long-term debt, long-term non-recourse debt and other interest-bearing debt

For 2021

Year ending March 31	Millions of yen					
	2022	2023	2024	2025	2026	2027 and thereafter
Short-term debt	¥146,620	¥—	¥—	¥—	¥—	¥—
Long-term debt (including due within one year)	211,446	237,386	289,472	379,415	293,855	1,690,082
Long-term non-recourse debt (including due within one year)	16,344	4,786	4,640	4,374	52,007	230,866
<b>Total</b>	<b>¥374,410</b>	<b>¥242,172</b>	<b>¥294,112</b>	<b>¥383,789</b>	<b>¥345,862</b>	<b>¥1,920,948</b>

For 2020

Year ending March 31	Millions of yen					
	2021	2022	2023	2024	2025	2026 and thereafter
Short-term debt	¥146,726	¥—	¥—	¥—	¥—	¥—
Long-term debt (including due within one year)	131,471	211,446	237,386	289,472	379,414	1,724,438
Long-term non-recourse debt (including due within one year)	70,373	15,404	3,846	3,700	3,434	223,798
<b>Total</b>	<b>¥348,570</b>	<b>¥226,850</b>	<b>¥241,232</b>	<b>¥293,172</b>	<b>¥382,848</b>	<b>¥1,948,236</b>

For 2021

Year ending March 31	Thousands of U.S. dollars					
	2022	2023	2024	2025	2026	2027 and thereafter
Short-term debt	\$1,324,361	\$—	\$—	\$—	\$—	\$—
Long-term debt (including due within one year)	1,909,909	2,144,215	2,614,687	3,427,107	2,654,277	15,265,847
Long-term non-recourse debt (including due within one year)	147,629	43,230	41,911	39,509	469,759	2,085,322
<b>Total</b>	<b>\$3,381,899</b>	<b>\$2,187,445</b>	<b>\$2,656,598</b>	<b>\$3,466,616</b>	<b>\$3,124,036</b>	<b>\$17,351,169</b>

## 7 Securities

For 2021

A. The following tables summarize the acquisition costs, carrying amounts and fair values of securities with available fair values as of March 31, 2021:

(a) Held-to-maturity securities:

Not applicable

(b) Available-for-sale securities:

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds acquisition cost:						
Equity securities	¥460,551	¥217,650	¥242,901	\$4,159,977	\$1,965,948	\$2,194,029
Debt securities*	535	526	9	4,832	4,751	81
Other	423	409	14	3,821	3,694	127
<b>Subtotal</b>	<b>461,509</b>	<b>218,585</b>	<b>242,924</b>	<b>4,168,630</b>	<b>1,974,393</b>	<b>2,194,237</b>
Securities whose carrying amount does not exceed acquisition cost:						
Equity securities	41,474	53,019	(11,545)	374,618	478,900	(104,282)
Debt securities	—	—	—	—	—	—
Other	660	677	(17)	5,962	6,115	(153)
<b>Subtotal</b>	<b>42,134</b>	<b>53,696</b>	<b>(11,562)</b>	<b>380,580</b>	<b>485,015</b>	<b>(104,435)</b>
<b>Total</b>	<b>¥503,643</b>	<b>¥272,281</b>	<b>¥231,362</b>	<b>\$4,549,210</b>	<b>\$2,459,408</b>	<b>\$2,089,802</b>

\* Debt securities in securities whose carrying amount exceeds acquisition cost are included in "Guarantee and lease deposits paid to lessors" on the consolidated balance sheets.

(Note) The Company recognized impairment loss on investments in securities of ¥489 million (\$4,417 thousand) related to equity securities in available-for-sale securities.

B. Total sales of available-for-sale securities sold in the year ended March 31, 2021 amounted to ¥3,743 million (\$33,809 thousand) and the related gains and losses amounted to ¥1,243 million (\$11,228 thousand) and ¥312 million (\$2,818 thousand), respectively.

C. Gain on sale of investments in securities of ¥13,116 million (\$118,472 thousand) is consisted mainly of gain on sale of the equity interests of Dalian Qingyun Sky Realty and Development Co., Ltd, amounted to ¥11,873 million (\$107,244 thousand).

For 2020

A. The following tables summarize the acquisition costs, carrying amounts and fair values of securities with available fair values as of March 31, 2020:

(a) Held-to-maturity securities:

	Millions of yen		
	Carrying amount	Fair value	Difference
Securities whose fair value exceeds carrying amount:			
National and local government bonds, etc.	¥200	¥200	¥0
Securities whose fair value does not exceed carrying amount:			
National and local government bonds, etc.	—	—	—
<b>Total</b>	<b>¥200</b>	<b>¥200</b>	<b>¥0</b>

(b) Available-for-sale securities:

	Millions of yen		
	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds acquisition cost:			
Equity securities	¥257,807	¥124,727	¥133,080
Debt securities*	747	732	15
Other	—	—	—
<b>Subtotal</b>	<b>258,554</b>	<b>125,459</b>	<b>133,095</b>
Securities whose carrying amount does not exceed acquisition cost:			
Equity securities	108,045	130,965	(22,920)
Debt securities	—	—	—
Other	882	891	(9)
<b>Subtotal</b>	<b>108,927</b>	<b>131,856</b>	<b>(22,929)</b>
<b>Total</b>	<b>¥367,481</b>	<b>¥257,315</b>	<b>¥110,166</b>

\* Debt securities in securities whose carrying amount exceeds acquisition cost are included in "Guarantee and lease deposits paid to lessors" on the consolidated balance sheets.

(Note) The Company recognized impairment loss on investments in securities of ¥7,838 million related to equity securities in available-for-sale securities.

B. Total sales of available-for-sale securities sold in the year ended March 31, 2020 amounted to ¥2,302 million and the related gains amounted to ¥1,417 million.

**8 Short-term debt and long-term debt**

Short-term debt at March 31, 2021 and 2020 consisted of the following:

	Millions of yen				Thousands of U.S. dollars
	2021	Average interest rate (%)	2020	Average interest rate (%)	2021
Loans, principally from banks	¥ 26,620	0.28	¥ 26,726	0.27	\$ 240,448
Commercial paper	120,000	(0.04)	120,000	0.00	1,083,913
<b>Total</b>	<b>¥146,620</b>		<b>¥146,726</b>		<b>\$1,324,361</b>

The interest rates represent weighted-average rates in effect at March 31, 2021 and 2020, regardless of borrowing currencies, though the range of the interest rate varies by borrowing currency.

Long-term debt at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
1.098% domestic straight bonds, due 2023	¥ 10,000	¥ 10,000	\$ 90,326
0.950% domestic straight bonds, due 2023	10,000	10,000	90,326
0.968% domestic straight bonds, due 2023	10,000	10,000	90,326
0.987% domestic straight bonds, due 2024	20,000	20,000	180,652
0.914% domestic straight bonds, due 2024	20,000	20,000	180,652
0.904% domestic straight bonds, due 2024	20,000	20,000	180,652
0.884% domestic straight bonds, due 2024	20,000	20,000	180,652
0.836% domestic straight bonds, due 2024	20,000	20,000	180,652
0.809% domestic straight bonds, due 2024	20,000	20,000	180,652
0.429% domestic straight bonds, due 2021	10,000	10,000	90,326
0.392% domestic straight bonds, due 2022	10,000	10,000	90,326
0.670% domestic straight bonds, due 2025	10,000	10,000	90,326
0.826% domestic straight bonds, due 2025	20,000	20,000	180,652
0.992% domestic straight bonds, due 2025	20,000	20,000	180,652
0.400% domestic straight bonds, due 2026	10,000	10,000	90,326
0.230% domestic straight bonds, due 2026	10,000	10,000	90,326
0.400% domestic straight bonds, due 2027	30,000	30,000	270,979
Loans, principally from banks and insurance companies, with interest at weighted-average rates of 0.30% in 2021 and 0.31% in 2020:			
Secured	104,810	95,000	946,708
Unsecured	2,726,846	2,608,627	24,630,531
Subtotal	3,101,656	2,973,627	28,016,042
Amount due within one year	(211,446)	(131,471)	(1,909,909)
<b>Total</b>	<b>¥2,890,210</b>	<b>¥2,842,156</b>	<b>\$26,106,133</b>

Non-recourse debt at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Non-recourse bonds, with interest at weighted-average rates of 0.09% in 2021 and 2020, respectively:			
Due within one year	¥ 1,500	¥ 8,000	\$ 13,549
Due after one year	35,600	31,100	321,561
Subtotal	37,100	39,100	335,110
Non-recourse loans, with interest at weighted-average rates of 0.12% in 2021 and 0.11% in 2020:			
Due within one year	14,844	62,373	134,080
Due after one year	261,073	219,082	2,358,170
Subtotal	275,917	281,455	2,492,250
<b>Total</b>	<b>¥313,017</b>	<b>¥320,555</b>	<b>\$2,827,360</b>
Secured	¥313,017	¥320,555	\$2,827,360
Unsecured	—	—	—
<b>Total</b>	<b>¥313,017</b>	<b>¥320,555</b>	<b>\$2,827,360</b>

The aggregate annual maturities of long-term debt at March 31, 2021 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2022	¥ 211,446	\$ 1,909,909
2023	237,386	2,144,215
2024	289,472	2,614,687
2025	379,415	3,427,107
2026	293,855	2,654,277
2027 and thereafter	1,690,082	15,265,847
<b>Total</b>	<b>¥3,101,656</b>	<b>\$28,016,042</b>

The aggregate annual maturities of non-recourse debt at March 31, 2021 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2022	¥ 16,344	\$ 147,629
2023	4,786	43,230
2024	4,640	41,911
2025	4,374	39,509
2026	52,007	469,759
2027 and thereafter	230,866	2,085,322
<b>Total</b>	<b>¥313,017</b>	<b>\$2,827,360</b>

It is customary in Japan that security must be given if requested by lending banks under certain circumstances, and generally banks have the right to offset cash deposited with them against any debt or obligations payable to the bank that becomes due in the case of default and certain other specified events. The Group has never received such a request.

## 9 Employees' severance and retirement benefits

As explained in Note 2 (12), the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations except for the cases using the simplified method.

For 2021 and 2020

### 1. Defined benefit plan

(1) Adjustment table of retirement benefit obligations between the beginning and the end of the fiscal year

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit obligations at beginning of year	¥12,069	¥11,876	\$109,014
Service costs	754	732	6,811
Interest costs	49	48	443
Actuarial differences	(194)	(64)	(1,752)
Retirement benefits paid	(525)	(523)	(4,743)
Retirement benefit obligations at end of year	¥12,153	¥12,069	\$109,773

(2) Adjustment table of plan assets between the beginning and the end of the fiscal year

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Plan assets at beginning of year	¥5,799	¥5,857	\$52,380
Expected return on plan assets	116	117	1,048
Actuarial differences	786	(321)	7,100
Employer contributions	366	380	3,306
Retirement benefits paid	(172)	(234)	(1,554)
Plan assets at end of year	¥6,895	¥5,799	\$62,280

(3) Adjustment table of retirement benefit obligations and plan assets at the end of the fiscal year and net defined benefit liability on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Obligations under retirement benefit plans (funded)	¥ 6,328	¥ 6,307	\$ 57,158
Fair value of plan assets	(6,895)	(5,799)	(62,280)
	(567)	508	(5,122)
Obligations under retirement benefit plans (unfunded)	5,825	5,762	52,615
Net amount of liabilities on the consolidated balance sheets	¥ 5,258	¥ 6,270	\$ 47,493
Net defined benefit liability	¥ 5,258	¥ 6,270	\$ 47,493
Net amount of liabilities on the consolidated balance sheets	¥ 5,258	¥ 6,270	\$ 47,493

(4) Components of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service costs	¥ 754	¥ 732	\$ 6,811
Interest costs	49	48	443
Expected return on plan assets	(116)	(117)	(1,048)
Actuarial differences	257	66	2,321
Retirement benefit expenses	¥ 944	¥ 729	\$ 8,527

(5) Remeasurements of defined benefit plans (before deducting tax effect)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Actuarial differences	¥(1,237)	¥191	\$(11,173)
Total	¥(1,237)	¥191	\$(11,173)

(6) Components of remeasurements of defined benefit plans (before deducting tax effect)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized actuarial differences	¥(980)	¥257	\$(8,852)
Total	¥(980)	¥257	\$(8,852)

(7) Major breakdown of plan assets

	2021	2020
	Debt securities	27.9%
Equity securities	35.9	29.1
General life insurance accounts	34.8	39.5
Other	1.4	1.7
Total	100.0%	100.0%

(8) Actuarial assumptions

	2021	2020
Discount rate	0.4%	0.4%
Rate of expected return on plan assets	2.0	2.0

### 2. Defined contribution plan

The required contribution amount for a defined contribution plan that one of the Company's consolidated subsidiaries adopted is ¥388 million (\$3,505 thousand) and ¥394 million for the years ended March 31, 2021 and 2020, respectively.

## 10 Loss on impairment of fixed assets

The Group recognized impairment losses on the following assets for the years ended March 31, 2021, 2020 and 2019, respectively.

### For 2021

Use	Location	Number of properties
Assets leased to others	Tokyo, etc.	4

### For 2020

Use	Location	Number of properties
Assets leased to others	Tokyo	2

### For 2019

Use	Location	Number of properties
Asset leased to others	Tokyo	1

The Group recognized losses on the impairment of certain properties, which are generally assessed individually for impairment. The Company's houses are treated as common assets.

The carrying value of assets have been reduced to their recoverable amounts by ¥3,578 million (\$32,319 thousand) since the total amount of the future cash flow is estimated to be lower than the carrying value for the year ended March 31, 2021. The recoverable amounts are calculated by discounting the future cash flow at 3.6%.

Loss on sales of property and equipment of ¥299 million (\$2,701 thousand) and ¥9,660 million were recognized by a consolidated

subsidiary due to restructuring of assets within the Group for the years ended March 31, 2021 and 2020, respectively. The selling price of the assets for the year ended March 31, 2021 is based on the amount equivalent to the publicly notified land price, and that of the assets for the year ended March 31, 2020 is based on evaluation by a real estate appraiser. These amounts were determined as their recoverable amounts, and loss on sales of property and equipment of the assets was recognized as impairment losses in other expenses for the years ended March 31, 2021 and 2020, respectively.

### 11 Asset retirement obligations

Even though removing asbestos is required for some buildings the Group operates at the time of demolishing, it is difficult to estimate the fair value of obligations associated with such assets reasonably since the timing and/or method of settlement for the retirement obligations are not clear enough. Therefore, for the years ended March 31, 2021 and 2020, asset retirement obligations related to such a case are not recorded (except for the asset retirement obligations recorded on the financial statements).

In addition, under the partial lease contracts, the Group has

obligations for restoring office spaces when they move out. For the asset retirement obligations associated with such a case, the duration of use of the assets is not clear enough and these assets do not have any relocation plans. Therefore, the Group is unable to estimate the asset retirement obligations since it is difficult to estimate the timing of fulfillment of the obligations. Consequently, for the years ended March 31, 2021 and 2020, asset retirement obligations related to such a case are not recorded (except for the asset retirement obligations recorded on the financial statements).

### 12 Income taxes

The normal effective statutory income tax rate in Japan arising out of the aggregation of corporate, enterprise and inhabitants' taxes was approximately 30.62% for the years ended March 31, 2021, 2020 and 2019 respectively.

Details of deferred tax assets and liabilities at March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
<b>Deferred tax assets:</b>			
Loss on devaluation of real estate for sale	¥ 18,807	¥ 18,582	\$ 169,876
Loss on impairment of fixed assets	15,001	13,899	135,498
Loss on adjustment of profit and loss on transfer	11,632	11,633	105,067
Net operating loss carryforwards	7,977	3,136	72,053
Depreciation and amortization of consolidated adjustment	6,306	6,312	56,960
Accrued enterprise tax and business office tax	2,728	2,284	24,641
Loss on devaluation of investments in securities	2,101	1,951	18,978
Net defined benefit liability	1,917	1,847	17,316
Loss on devaluation of investments in SPEs' holding properties for sale	1,413	1,413	12,763
Net deferred losses on hedges	1,319	1,571	11,914
Accrued bonuses	1,304	1,742	11,779
Allowance for doubtful accounts	1,167	1,290	10,541
Elimination of unrealized profit	897	909	8,102
Other	12,646	17,495	114,226
Subtotal of deferred tax assets	85,215	84,064	769,714
Valuation allowance	(19,785)	(14,613)	(178,710)
Total deferred tax assets	¥ 65,430	¥ 69,451	\$ 591,004
<b>Deferred tax liabilities:</b>			
Net unrealized holding gains on securities	¥(70,728)	¥(33,756)	\$(638,858)
Retained earnings appropriated for tax allowable reserves	(3,731)	(3,731)	(33,701)
Other	(2,648)	(1,908)	(23,919)
Total deferred tax liabilities	¥(77,107)	¥(39,395)	\$(696,478)
Net deferred tax assets	¥(11,677)	¥ 30,056	\$(105,474)

(Note 1) Valuation allowance increased by ¥5,173 million (\$46,726 thousand) for the year ended March 31, 2021, as a result of the additional recognition of valuation allowance related to loss carryforwards of ¥4,840 million (\$43,718 thousand).

(Note 2) Net deferred tax assets are included in the following items on the consolidated balance sheets for the years ended March 31, 2021 and 2020.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Other assets—Deferred income taxes	¥11,071	¥30,067	\$100,000
Long-term liabilities—Other long-term liabilities	22,748	11	205,474

The difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2021 is as follows:

	2021
Statutory tax rate	30.62%
Adjustment:	
Valuation Allowance	2.45
Inhabitant tax on per capita basis	0.14
Dividends and other income not taxable permanently	(0.35)
Other	(0.08)
Effective tax rate	32.78%

The difference between the statutory tax rate and the effective tax rate for the years ended March 31, 2020 and 2019 was insignificant and not presented.

### 13 Deposits received with interest rate

Guarantee and deposits received at March 31, 2021 and 2020 are as follows:

	Millions of yen				Thousands of U.S. dollars
	2021	Average interest rate (%)	2020	Average interest rate (%)	2021
<b>Short-term deposits and long-term deposits due within one year:</b>					
Non-interest-bearing	¥ 65,964	—	¥ 51,196	—	\$ 595,827
Interest-bearing	—	—	—	—	—
	65,964		51,196		595,827
<b>Guarantee and lease deposits from tenants:</b>					
Non-interest-bearing	258,219	—	247,610	—	2,332,391
Interest-bearing	—	—	—	—	—
<b>Long-term deposits:</b>					
Non-interest-bearing	27,932	—	45,895	—	252,299
Interest-bearing	—	—	—	—	—
	286,151		293,505		2,584,690
Total	¥352,115		¥344,701		\$3,180,517

### 14 Net assets

Under the Japanese Corporate Law ("the Law") and its regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in

retained earnings on the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit and capitalized by a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law and its regulations.

### 15 Information for certain lease transactions

Future lease payments and receipts under such non-cancelable operating leases at March 31, 2021, 2020 and 2019 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2021	2020	2019	2021
Operating leases:				
Future lease payments:				
Due within one year	¥ 1,574	¥ 1,526	¥ 1,526	\$ 14,217
Due after one year	41,880	39,395	42,211	378,286
Total	¥ 43,454	¥ 40,921	¥ 43,737	\$ 392,503
Future lease receipts:				
Due within one year	¥ 91,310	¥ 89,154	¥ 95,607	\$ 824,767
Due after one year	140,152	122,544	142,321	1,265,938
Total	¥231,462	¥211,698	¥237,928	\$2,090,705

### 16 Derivative transactions

Hedge accounting was applied to all derivative transactions for the years ended March 31, 2021 and 2020.

The summary of these transactions is as follows:

#### (1) Foreign currency-related derivatives

Not applicable

#### (2) Interest-related derivatives

For 2021

Hedging accounting	Types of derivative transactions	Hedged items	Millions of yen		
			Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans	¥ 348,900	¥ 347,400	¥(4,310)
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	1,440,247	1,271,549	— (*)

Hedging accounting	Types of derivative transactions	Hedged items	Thousands of U.S. dollars		
			Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans	\$ 3,151,477	\$ 3,137,928	\$(38,931)
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	13,009,186	11,485,403	— (*)

For 2020

Hedging accounting	Types of derivative transactions	Hedged items	Millions of yen		
			Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans	¥ 342,900	¥ 302,900	¥(5,134)
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	1,474,995	1,333,990	— (*)

(Note) Fair value is determined based on the quoted price obtained from relevant financial institutions.

(\*) Interest rate swap contracts which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expenses or income of the long-term debt or the long-term non-recourse debt as hedged items. Thus, the fair value of such interest rate swap contracts is included in the fair value of the long-term debt.

### 17 Segment information

The Group mainly operates their business in five segments: (1) Leasing business consists of leasing and management of office buildings, rental apartments, etc., and operation and management of hotels, event halls, retail facilities, etc.; (2) Sales business consists of sales of condominium units, detached houses, etc.; (3) Construction business consists of construction and remodeling of detached houses, condominiums, etc.; (4) Brokerage business consists of brokerage of real estate sales and sales agent of residential properties; and (5) Other businesses including fitness business and restaurant business.

In accordance with partial reviews of segments for performance management among the Group, the financial results of Sumitomo Real Estate Sales, which were previously allocated to Sales business,

Brokerage business and Adjustments, have been changed to be consolidated into Brokerage business from the year ended March 31, 2021. The segment information for the year ended March 31, 2020 has been adjusted retroactively.

The calculation method for segment profit/loss has been changed reflecting the change of the revenue recognition method of brokerage fees as stated in (4) "Recognition of revenue" in Note 2 "Accounting policies". The segment information for the year ended March 31, 2019 has been adjusted retroactively, and as a result, revenue from operations from customers decreased by ¥1,032 million and segment profit decreased by ¥1,030 million, respectively, compared to the amount before its application.

Information by business segment for the years ended March 31, 2021, 2020 and 2019 is summarized as follows:

For 2021	Millions of yen						Adjustments	Consolidated financial statements amounts
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total		
Revenue from operations:								
Customers	¥ 395,288	¥263,303	¥187,564	¥ 64,026	¥ 7,292	¥ 917,473	¥ —	¥ 917,473
Intersegment	2,950	92	1,144	1,767	979	6,932	(6,932)	—
Total	398,238	263,395	188,708	65,793	8,271	924,405	(6,932)	917,473
Segment profit	¥ 155,246	¥ 53,932	¥ 15,566	¥ 11,480	¥ (49)	¥ 236,175	¥ (16,931)	¥ 219,244
Segment assets	¥4,226,734	¥658,010	¥ 23,460	¥179,632	¥71,731	¥5,159,567	¥514,099	¥5,673,666
Other:								
Depreciation and amortization	¥ 54,332	¥ 97	¥ 1,209	¥ 673	¥ 330	¥ 56,641	¥ 1,172	¥ 57,813
Loss on impairment of fixed assets	3,876	—	—	—	—	3,876	—	3,876
Increase in property and equipment, and intangible assets	363,798	2,262	341	550	663	367,614	107	367,721

For 2020	Millions of yen						Adjustments	Consolidated financial statements amounts
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total		
Revenue from operations:								
Customers	¥ 392,110	¥324,661	¥216,622	¥ 69,158	¥10,962	¥1,013,513	¥ —	¥1,013,513
Intersegment	3,482	267	2,309	2,041	1,135	9,234	(9,234)	—
Total	395,592	324,928	218,931	71,199	12,097	1,022,747	(9,234)	1,013,513
Segment profit	¥ 169,416	¥ 46,490	¥ 20,583	¥ 14,593	¥ 775	¥ 251,857	¥ (17,525)	¥ 234,332
Segment assets	¥3,922,764	¥673,420	¥ 25,053	¥170,884	¥72,476	¥4,864,597	¥453,026	¥5,317,623
Other:								
Depreciation and amortization	¥ 45,421	¥ 113	¥ 1,283	¥ 658	¥ 314	¥ 47,789	¥ 1,185	¥ 48,974
Loss on impairment of fixed assets	9,660	—	—	—	—	9,660	—	9,660
Increase in property and equipment, and intangible assets	273,245	2,904	1,553	816	608	279,126	248	279,374

For 2019	Millions of yen							
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total	Adjustments	Consolidated financial statements amounts
Revenue from operations:								
Customers	¥ 378,091	¥331,516	¥219,776	¥71,490	¥11,325	¥1,012,198	¥ —	¥1,012,198
Intersegment	3,673	236	1,917	377	1,419	7,622	(7,622)	—
Total	381,764	331,752	221,693	71,867	12,744	1,019,820	(7,622)	1,012,198
Segment profit	¥ 149,933	¥ 47,115	¥ 20,407	¥20,978	¥ 1,528	¥ 239,961	¥ (20,572)	¥ 219,389
Segment assets	¥3,737,136	¥713,300	¥ 30,057	¥14,074	¥32,545	¥4,527,112	¥603,008	¥5,130,120
Other:								
Depreciation and amortization	¥ 43,201	¥ 145	¥ 1,182	¥ 458	¥ 227	¥ 45,213	¥ 1,100	¥ 46,313
Loss on impairment of fixed assets	8,576	—	—	—	—	8,576	—	8,576
Increase in property and equipment, and intangible assets	179,872	590	2,015	920	1,001	184,398	397	184,795

For 2021	Thousands of U.S. dollars							
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total	Adjustments	Consolidated financial statements amounts
Revenue from operations:								
Customers	\$ 3,570,481	\$2,378,313	\$1,694,192	\$ 578,322	\$ 65,866	\$ 8,287,174	\$ —	\$ 8,287,174
Intersegment	26,647	831	10,333	15,960	8,843	62,614	(62,614)	—
Total	3,597,128	2,379,144	1,704,525	594,282	74,709	8,349,788	(62,614)	8,287,174
Segment profit	\$ 1,402,276	\$ 487,147	\$ 140,602	\$ 103,694	\$ (443)	\$ 2,133,276	\$ (152,931)	\$ 1,980,345
Segment assets	\$38,178,430	\$5,943,546	\$ 211,905	\$1,622,545	\$647,918	\$46,604,344	\$4,643,655	\$51,247,999
Other:								
Depreciation and amortization	\$ 490,760	\$ 876	\$ 10,920	\$ 6,079	\$ 2,981	\$ 511,616	\$ 10,586	\$ 522,202
Loss on impairment of fixed assets	35,010	—	—	—	—	35,010	—	35,010
Increase in property and equipment, and intangible assets	3,286,045	20,432	3,080	4,968	5,989	3,320,514	966	3,321,480

Intercompany eliminations between the Company and its consolidated subsidiaries and undistributed corporate expenses to each segment are included in adjustments of segment profit, and the Company classified expenses of the general administrative division in the Company and its certain consolidated subsidiaries to corporate expenses for the years ended March 31, 2021, 2020 and 2019.

Intercompany eliminations between the Company and its consolidated subsidiaries and undistributed corporate assets to each segment are included in adjustments of segment assets, and the Company classified cash, time and notice deposits, investments in securities and assets of the general administrative division in the Company and its certain consolidated subsidiaries to corporate assets for the years ended March 31, 2021, 2020 and 2019.

## 18 Comprehensive income

Amounts reclassified to profit in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income (loss) for the years ended March 31, 2021, 2020 and 2019 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2021	2020	2019	2021
Unrealized holding gains (losses) on securities:				
Increase (Decrease) during the fiscal year	¥133,468	¥(53,788)	¥(32,668)	\$ 1,205,564
Reclassification adjustments	(12,272)	6,434	1,088	(110,848)
Amounts before tax effects	121,196	(47,354)	(31,580)	1,094,716
Tax effects	(37,090)	14,479	9,675	(335,019)
Total	¥ 84,106	¥(32,875)	¥(21,905)	\$ 759,697
Deferred gains (losses) on hedges:				
Increase (Decrease) during the fiscal year	¥ (112)	¥ (349)	¥ (3,628)	\$ (1,012)
Reclassification adjustments	935	942	876	8,446
Amounts before tax effects	823	593	(2,752)	7,434
Tax effects	(252)	(181)	829	(2,276)
Total	¥ 571	¥ 412	¥ (1,923)	\$ 5,158
Foreign currency translation adjustments:				
Increase (Decrease) during the fiscal year	¥ (1,548)	¥ (366)	¥ (259)	\$ (13,982)
Remeasurements of defined benefit plans:				
Increase (Decrease) during the fiscal year	¥ 980	¥ (257)	¥ (66)	\$ 8,852
Reclassification adjustments	257	66	(229)	2,321
Amounts before tax effects	1,237	(191)	(295)	11,173
Tax effects	(379)	88	61	(3,424)
Total	¥ 858	¥ (103)	¥ (234)	\$ 7,749
Total other comprehensive income (loss)	¥ 83,987	¥(32,932)	¥(24,321)	\$ 758,622

## 19 Investment and rental properties

The Company and its certain consolidated subsidiaries own some rental properties such as office buildings and residences in Tokyo and other areas. The carrying amount on the consolidated balance sheets for the year ended March 31, 2021 is ¥3,838,536 million (\$34,671,990 thousand). Certain domestic office buildings are not recognized as rental properties but as a portion used as investment and rental properties since the Company or its certain consolidated subsidiaries use some of the floor space of these properties.

The carrying amounts of these properties on the consolidated balance sheets, their changes during the fiscal year and their fair values at March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Investment and rental properties			
Balance at beginning of fiscal year	¥3,415,982	¥3,373,449	\$30,855,225
Changes during the fiscal year	289,550	42,533	2,615,392
Balance at end of fiscal year	3,705,532	3,415,982	33,470,617
Fair value at end of fiscal year	6,873,990	6,330,951	62,090,055
A portion used as investment and rental properties			
Balance at beginning of fiscal year	¥ 139,090	¥ 141,889	\$ 1,256,345
Changes during the fiscal year	(6,086)	(2,798)	(54,972)
Balance at end of fiscal year	133,004	139,091	1,201,373
Fair value at end of fiscal year	397,179	400,272	3,587,562

(Notes)

\* Carrying amounts on the consolidated balance sheets are the amounts determined by deducting accumulated depreciation and accumulated impairment losses from the acquisition costs.

\* Fair values as of March 31, 2021 and 2020 are calculated by the Company primarily based on their fair values according to Real Estate Appraisal Standards.

Significant changes during the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Increase:			
Acquired real estate	¥337,931	¥181,035	\$3,052,398
Transferred from real estate for sale in process, etc.	5,759	6,785	52,019
Decrease:			
Depreciation and amortization	¥ (46,944)	¥ (42,436)	\$ (424,027)
Transferred to real estate for sale, etc.	(6,164)	(1,940)	(55,677)
Loss on impairment of fixed assets	(3,741)	(9,660)	(33,791)
Transferred to owner-occupied properties, etc.	—	(67,244)	—

Income and expenses for investment and rental properties for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Investment and rental properties			
Income	¥298,596	¥291,163	\$2,697,101
Expenses	146,879	135,568	1,326,700
Balance	151,717	155,595	1,370,401
Other income (expenses)	(10,084)	(12,197)	(91,085)
A portion used as investment and rental properties			
Income	¥ 18,960	¥ 18,536	\$ 171,258
Expenses	11,321	8,869	102,258
Balance	7,639	9,667	69,000
Other income (expenses)	(0)	(45)	(0)

(Notes)

\* As a portion used as investment and rental properties includes a portion used by the Company or its certain consolidated subsidiaries for providing services as well as management and administration, income for these are not recorded above. The expenses primarily consist of rent, depreciation, taxes and dues, and others.

\* Other income (expenses) for investment and rental properties and Other income (expenses) for a portion used as investment and rental properties is mostly the loss on disposal of property and equipment.

## 20 Contingent liabilities

The Group was contingently liable as guarantors of borrowings by customers and others in an amount aggregating to ¥11,305 million (\$102,114 thousand) and ¥9,407 million at March 31, 2021 and 2020, respectively.

## 21 Subsequent events

(Dividends)

On June 29, 2021, the shareholders of the Company approved payments of a year-end cash dividend of ¥21 (\$0.19) per share or a total of ¥9,953 million (\$89,902 thousand) to shareholders of record at March 31, 2021. Such appropriations are recognized in the period in which they are approved by the shareholders.



To the Board of Directors of Sumitomo Realty & Development Co., Ltd.:

### Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Realty & Development Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for each of the years in the three-year period ended March 31, 2021, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the years in the three-year period ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Appropriateness of management's judgment concerning the identification of an impairment indicator for the Properties**

The key audit matter	How the matter was addressed in our audit
<p>Office buildings and residences owned by the Group (the "Properties") were recognized in the consolidated balance sheet of the Group as of March 31, 2021. As described in Note 19, "Investment and rental properties" to the consolidated financial statements, the total of such Properties amounted to ¥3,838,536 million and accounted for approximately 67% of the consolidated total assets in the consolidated financial statements. Of such Properties, we determined the Properties whose profitability had declined were a key audit matter.</p> <p>As described in Note 2 (16), "Significant accounting estimates" to the consolidated financial statements, when a Property's profitability has declined and an impairment indicator exists, the Group is required to determine whether an impairment loss should be recognized. Impairment indicators include recurring operating losses, a significant adverse change that could affect the recoverable amount, a significant deterioration of business environment and a significant decrease in the market prices.</p> <p>Economic trends, corporate performance, trends in land prices, financial market situations, taxation system and other social aspects have a large impact on the following:</p> <ul style="list-style-type: none"> <li>the judgment of whether there is significant deterioration of business environment or significant adverse change that could affect the recoverable amount due to cancellation or long delay of development plans, a change in usage or a significant decline in rents and occupancy rates; and</li> <li>estimating the future cash flows and discount rates which were used as a basis for calculating the market prices of the Properties.</li> </ul> <p>Accordingly, these estimates involved a high degree of uncertainty, as well as significant subjectivity in management's judgments.</p> <p>In addition, in case the impairment indicator exists, and an impairment loss is to be recognized, the impact on the consolidated financial statements may be significant.</p> <p>We, therefore, determined that the appropriateness of management's judgment concerning the identification of an impairment indicator for the Properties was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to evaluate whether management's judgment concerning the identification of an impairment indicator for the Properties was appropriate included the following:</p> <p>(1) Internal control testing We tested the design and operating effectiveness of certain of the Group's internal controls relevant to management's judgment concerning the identification of an impairment indicator for the Properties.</p> <p>(2) Evaluation of the appropriateness of management's judgment concerning the identification of an impairment indicator for the Properties.</p> <ul style="list-style-type: none"> <li>We inquired management and the personnel in the responsible divisions, inspected relevant materials and observed certain Properties to determine if there was significant deterioration of business environment or significant adverse change that could affect the recoverable amount due to cancellation or long delay of development plans, a change in usage or a significant decline in rents or occupancy rates.</li> <li>In order to evaluate the reasonableness of the Properties' estimated market prices used to determine whether an impairment indicator exists, we performed the following procedures regarding the estimates of the future cash flows and discount rates which were used as a basis for calculating the market prices of the Properties.</li> <li>We evaluated the appropriateness of the valuation method selected to calculate the market prices in light of the requirements including those in the accounting standards;</li> <li>We evaluated the reasonableness of the future rents, a significant assumption for estimating future cash flows, by taking into consideration future economic conditions including the spread of COVID-19 infection, and by comparing them with actual rents; and</li> <li>We evaluated the reasonableness of the discount rates by comparing them with information published by external organizations and also with the assistance of our own real-estate valuation specialists.</li> </ul>

**The reasonableness of the valuation of Real Estate for Sale**

The key audit matter	How the matter was addressed in our audit
<p>The Group recognized real estate for sale of ¥260,825 million and real estate for sale in process of ¥366,597 million as described in Note 4, "Inventories" to the consolidated financial statements (collectively, the "Real Estate for Sale"), and their total amount accounted for approximately 11% of the consolidated total assets in the consolidated financial statements. Of the Real Estate for Sale, we determined the Real Estate for Sale whose profitability had declined was related to a key audit matter.</p> <p>As described in Note 2 (16), "Significant accounting estimates" to the consolidated financial statements, Real Estate for Sale is stated at cost. In case the net realizable value is lower than its cost, the profitability is regarded to have declined, and the net realizable value is used as the carrying amount. The difference between the cost and the net realizable value is recognized as a loss for the current fiscal year.</p> <p>Economic trends, trends in personal income, trends in land prices, financial market situations, taxation system and other social aspects have a large impact on the following:</p> <ul style="list-style-type: none"> <li>determining the probability of achieving the development plans of real estate for sale in progress; and</li> <li>estimating the selling price of the Real Estate for Sale, which is used to calculate the net realizable value.</li> </ul> <p>Accordingly, these estimates involved a high degree of uncertainty, as well as significant subjectivity in management's judgments. In addition, in case a loss on devaluation of the Real Estate for Sale is to be recognized, the impact on the consolidated financial statements may be significant.</p> <p>We, therefore, determined that the reasonableness of the valuation of the Real Estate for Sale was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to evaluate whether the valuation of the Real Estate for Sale was reasonable included the following:</p> <p>(1) Internal control testing We tested the design and operating effectiveness of certain of the Group's internal controls relevant to the valuation of the Real Estate for Sale.</p> <p>(2) Evaluation of the reasonableness of the valuation of the Real Estate for Sale</p> <ul style="list-style-type: none"> <li>We inquired management and the personnel in the responsible divisions, inspected relevant materials and observed certain real estate for sale in progress to evaluate the probability of achieving the development plans.</li> <li>In order to evaluate the reasonableness of the net realizable value, with the assistance of our own real-estate valuation specialists, as necessary, we performed the following procedures.</li> <li>We evaluated the appropriateness of the valuation method selected to calculate the net realizable value in light of the requirements including those in the accounting standards.</li> <li>We obtained an understanding of profitability of the Real Estate for Sale and evaluated the reasonableness of the estimated selling price, a significant assumption for estimating the net realizable value, by taking into consideration future economic conditions including the spread of COVID-19 infection, and by comparing them with the actual selling price.</li> </ul>

**Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

### Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ Atsuji Maeno  
Designated Engagement Partner  
Certified Public Accountant

/S/ Hidekazu Takahashi  
Designated Engagement Partner  
Certified Public Accountant

/S/ Masako Kanno  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
July 29, 2021

Notes to the Reader of Independent Auditor's Report:  
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.